

AR22

**ANNUAL
REPORT
1969**

File



SILVERFIELDS
MINING CORPORATION LIMITED

SILVERFIELDS MINING CORPORATION LIMITED

Statement of Earnings For the 6 months ended March 31

INCOME:	1970	1969
Bullion production	\$ 963,553	\$ 926,963
Less: Smelting, refining marketing	48,386	50,557
Royalties	92,344	88,979
	<u>822,823</u>	<u>787,427</u>
OPERATING EXPENSES		
Mining	278,215	233,927
Milling	104,168	100,848
Exploration & Development	72,686	93,388
General mine expenses	66,079	62,658
Administration expenses	44,518	45,620
Ontario mining tax	34,755	15,391
	<u>600,421</u>	<u>551,832</u>
Mine operating profit	222,402	235,595
Investment income	99,326	55,784
Operating profit	321,728	291,379
Less: Outside exploration	44,828	41,215
Provision for deprecia- tion	40,223	42,309
Amortization of defer- red developments	2,100	2,100
NET EARNINGS — for period	\$ 234,577	\$ 205,755
— per share	15.6¢	13.7¢

The operating statements are unaudited, contain estimates and are subject to adjustment on final smelter settlement.

Printed in Canada

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SILVERFIELDS MINING CORPORATION LIMITED



HALF YEARLY REPORT

MARCH 31, 1970

Executive Office

Suite 4900

Toronto-Dominion Centre

TORONTO, ONTARIO

TORONTO, ONTARIO

To the Shareholders:

Mill throughput improved during the second quarter to provide a six-month average of 209 tons per day. During the period 485,576 ounces of silver were produced, including 258,847 ounces in the second quarter. Net smelter returns amounted to \$915,167 and, after royalties of \$92,344 and operating costs of \$600,421, mine operating profit was \$222,402. After deducting exploration charges and non-cash write-offs of \$87,151 and adding interest income of \$99,326, net income for the six months was \$234,577 or 15.6¢ per share. Current assets exceeded current liabilities by \$3,043,668 or \$2.02 per share.

The mill grade has averaged 13 ounces per ton and a similar grade is forecast for the remainder of the fiscal year. Broken ore reserves are being maintained at previous levels.

An exploration drift from the fourth level was started to explore the southwest part of the property, as well as to develop an ore zone previously indicated. Development on the sixth level was continued on the No. 4 and No. 2 vein systems.

The Silverfields - Silver Summit joint project was completed during January. The mill treated 3,081 tons of ore yielding 36,871 ounces of silver, of which half was credited to Silverfields.

On behalf of the Board,



N. B. KEEVIL

President

May 27, 1970

SILVERFIELDS MINING CORPORATION LIMITED

Statement of Source and Use of Funds For the 6 months ended March 31

SOURCE OF FUNDS	1970	1969
Net Earnings for the period	\$ 234,577	\$ 205,755
Add: Non-cash charges		
Depreciation	40,223	42,309
Amortization	2,100	2,100
Refund on Federal special 5% Refundable tax	3,039	12,982
Refund received from Syndicate partners		
re: Interest in mining claims	690	—
Refund of Income Tax	—	1,629
	<u>280,629</u>	<u>264,775</u>
USE OF FUNDS		
Redemption of class A shares	—	39,876
Investments in and advances to associated companies	17,298	4,693
Additions to buildings, machinery and equipment	886	3,474
Joint mining ventures (net)	2,245	5,220
Re-organization Expenses	223	29
Purchase of interest in mining claims	189	—
	<u>20,841</u>	<u>—</u>
Increase in Working Capital	\$ 259,788	\$ 211,483
Working Capital (beginning of year)	\$2,783,880	\$2,251,762
Add: Increase in working capital	259,788	211,483
Working capital as at March 31	<u>\$3,043,668</u>	<u>\$2,463,245</u>
MINE OPERATIONS		
For the 6 months ended March 31		
	1970	1969
Tons milled	38,118	40,288
Tons daily	209	221
Recovery per ton	12.7 ozs	12.2 ozs.
Recoveries		
Silver (ozs.)	483,678	493,522
Copper (pounds)	38,924	37,927
Cobalt (pounds)	18,753	22,050
Average price on silver settlements	\$ 2.03	\$ 1.95

SILVERFIELDS MINING CORPORATION LIMITED

Statement of Earnings

For the 3 months ended December 31

	1969	1968
INCOME:		
Bullion production	\$ 449,507	\$ 375,635
Less: Smelting, refining, marketing	24,872	20,767
Royalties	42,931	35,846
	381,704	319,022
Operating expenses:		
Mining	140,622	111,941
Milling	53,009	50,449
Exploration and development	35,932	47,379
General mine expenses ..	33,195	32,024
Administration expenses ..	16,108	22,447
Ontario mining tax	11,076	1,300
	289,942	265,540
Mine operating profit	91,762	53,482
Investment income	46,892	26,208
Operating profit	138,654	79,690
Less: Outside exploration ..	27,886	20,730
Provision for depreciation	20,082	21,064
Amortization of defer- red developments ..	1,050	1,050
Earnings before income taxes:	89,636	36,846
Provision for income taxes ..	—	—
NET EARNINGS—for period	\$ 89,636	\$ 36,846
—per share	5.94¢	2.44¢

MINE OPERATIONS

For the 3 months ended December 31

	1969	1968
Tons milled	18,686	19,855
Tons daily	203	216
Recovery per ton — silver ounces	12.1	9.6
Recoveries:		
silver (ounces)	226,729	191,595
copper (pounds)	19,314	16,304
cobalt (pounds)	8,728	8,689
Average price for silver settlements	\$ 1.937	\$ 1.973

The operating statements contained in this report are unaudited, contain estimates, and are subject to adjustment on final refinery settlements.

SILVERFIELDS MINING CORPORATION LIMITED

AR22



PRESIDENT'S REMARKS

Annual Meeting of Shareholders
Toronto, Ontario
March 16, 1970

Executive Office
Suite 4900

Toronto-Dominion Centre
TORONTO, ONTARIO

To the Shareholders:

Silver production and earnings increased in the second quarter as projected in the previous report. This was due primarily to an increase in average grade of ore treated from 9.57 ounces to 13.45 ounces per ton, offsetting lower silver prices. Production for the remainder of the year is expected to remain at the current level to give an average grade of approximately 13 ounces per ton, and it is anticipated that the silver price will remain firm.

FINANCIAL

Bullion production increased from \$382,146 to \$495,478 and mine operating profit was up 121% to \$139,847 in the second quarter. Operating profit for the first half of the fiscal year was \$257,599, and after provision for write-offs and exploration net profit was \$167,910 or 11.1¢ per share. Earnings for the balance of the fiscal year will depend upon the price received for silver, but with bullion production expected to increase these should be higher than for the first half.

Working capital increased by \$112,317 during the first six months to \$2,375,713. The average price received for silver was \$1.93 per ounce, compared with \$2.04 in the first quarter.

Comparative figures are presented for the first two quarters of the previous year, as required by the Corporations Act. However, it should be pointed out that these may be misleading, as the first half of 1968 represented abnormally high silver production while the first quarter

of this year was abnormally low due to stoep preparation and development.

PRODUCTION

Silver production in the second quarter was 262,305 ounces, compared with 192,079 ounces the previous period. Tonnage milled remained steady at approximately 220 tons per day, and the change reflects an increase in grade from 9.57 to 13.45 ounces per ton. Current mine planning involves maintenance of an average grade of about 13 ounces per ton. Broken ore reserves were increased to 59,398 tons as of February 28, 1969.

Some ore was mined from the adjacent Silver Summit property under agreement, and a mill run in January recovered 28,244 ounces of silver.

Additional ore was developed by drifting on the Nos. 7 and 8 veins on the third level. Drifts were driven on the No. 8S vein on the fourth level and No. 13 vein on the fifth level to provide access to ore above the levels. Nos. 1 and 7 veins were developed on the sixth level.

EXPLORATION AND ACQUISITIONS

With mine development in good shape and a healthy cash position, your Board of Directors has decided to increase its emphasis on exploration and acquisitions.

Silverfields acquired a 90% interest in a group of 36 claims in the Burntland area of New Brunswick, and exploratory work for copper, silver and molybdenum will begin as soon as weather permits. Five holes totalling 2,145 feet were drilled from the 70-foot level of the Marks shaft

at Ragged Chutes without significant silver intersections, after which drilling was suspended pending completion of experimental geophysical work. This has indicated that the prominent structures of the area can be mapped geophysically, and plans are to perform detailed surveys prior to resumption of drilling. Silverfields also participated with other companies of the Keevil Mining Group in exploration work in the Noranda, Red Lake and Hearst areas.

A number of possible acquisitions were considered during the period, and several are still under study.

OUTLOOK

Production is expected to continue at the level of the second quarter, selected as the optimum rate consistent with reasonable mine life. Earnings will depend upon the price received for silver, and while such predictions are of dubious reliability most observers anticipate that this will increase over the next year. Your company's broadened exploration activities and interest in acquisitions along with its strong working capital position provide it with a sound base for growth in other areas as well.

On behalf of the Board,



N. B. KEEVIL

President

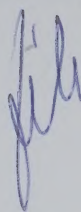
April 29, 1969

TECK CORPORATION LIMITED

SUITE 4900
P.O. BOX No. 49

TORONTO-DOMINION CENTRE
TORONTO 1, CANADA

TEL: 416-362-1571
TELEX: 02-29087



July 7, 1969

To the Shareholders of Silverfields Mining Corporation Limited:

We are pleased to present to you an offer to purchase your shares in Silverfields in exchange for shares in Teck, on the basis of one share of Class "B" common stock of Teck Corporation Limited for each $2\frac{1}{2}$ common shares of Silverfields. The formal offer is for a minimum of 500,000 common shares of your company, but Teck will accept any additional shares tendered on the same basis of exchange. It expires on July 29, 1969.

The shares presently listed on The Toronto Stock Exchange, the Canadian Stock Exchange and The Vancouver Stock Exchange have been reclassified as Class "A". The shares are identical in all respects, including dividends, except that the "A" shares carry 100 votes per share and the "B" have 1 vote each. Both participate equally in the growth of the Teck organization. Teck increased its authorized capital and created the new shares as part of a programme of planned expansion.

Silverfields and Teck have been closely associated throughout the period of successful development and operation of the Silverfields mine. Teck owns 425,200 shares of Silverfields and the two companies are under the same operating management. Further and complete integration is considered desirable.

In the event you are not familiar with Teck Corporation, the enclosed material (including the latest annual report) will give you an indication of the broad base of its present activities. The company has built up extensive interests in the Canadian natural resources field, including production of petroleum and gold and investments in silver, copper and zinc operations.

Teck has paid an annual dividend of 30¢ per share since its consolidation with associated companies in 1963. On the basis of the offer being made to you, this would be equivalent to 12¢ per annum per Silverfields share.

The closing market price of shares of Teck Corporation on June 30, 1969 (the last trading day preceding announcement of this offer) was \$8.60 per share. The closing market price of Silverfields on the same day was \$2.30 per share.

We believe this proposal offers advantages to the individual Silverfields shareholder. Upon acceptance, you will share directly in the diversification of productive assets and potential of the Teck organization and in its dividend policy, as well as continue to participate in the Silverfields mine through your holdings in Teck.

To indicate acceptance of the formal offer which is enclosed, complete the Letter of Transmittal and return it with your certificates to Guaranty Trust Company, 88 University Avenue, Toronto.

•• Your very truly,

TECK CORPORATION LIMITED



President



PRESIDENT'S LETTER

TO THE SHAREHOLDERS:

Your directors are pleased to submit this report, covering the thirteen months ended September 30, 1969.

The year end was changed from August 31, 1969 to facilitate consolidation of Silverfields' statements with those of Teck Corporation Limited, which acquired a 78% interest in Silverfields through a share exchange offering during the year.

1,172,623 ounces of silver, 43,517 pounds of cobalt and 90,588 pounds of copper were produced during the period for gross bullion production of \$2,129,033 and a mine operating profit of \$543,783. Interest income added another \$135,837 and after provisions for exploration (\$89,607), taxes (\$8,856), re-organization expenses (\$19,044) and non-cash items (\$97,575), net earnings for the thirteen months were \$464,538 or 31¢ per share. Working capital was increased by \$520,484 to \$2,783,880 or \$1.85 per share.

The mill operated at an average of 221 tons per day with a grade of 13.7 ounces of silver per ton. Broken ore reserves were increased by 22,352 tons and total reserves were maintained at previous levels. A considerable improvement was made in mine ventilation after a breakthrough into the adjoining Meteor mine late in the previous year. A two year contract was negotiated with the Labour Union, effective June 3, 1969.

Exploration and development at the property continued in a routine manner. On the Silver Summit joint program, 2,744 tons were custom milled with an average recovery of 18.5 ounces of silver per ton. At year end stoping was continuing on the unexpectedly persistent ore structure in the 1 NN stope. Broken ore reserves totalled 2,042 tons.

On the Ragged Chutes Silver Mines Limited property, in which Silverfields has a major interest, four holes with an aggregate footage of 1,399 feet were drilled, but no significant silver mineralization was encountered.

Silverfields participated with Teck and Copperfields Mining Corporation Limited in several exploration ventures. These companies currently hold interests in 997 claims in the Favourable Lake area where diamond drilling has returned a number of ore-grade intersections of uranium mineralization.

Production from the Silverfields mine is expected to remain at present levels throughout 1970, with earnings dependent principally on the price received for silver. The company will continue to participate with Teck and Copperfields in certain joint exploration programs, and further work will be done on the Favourable Lake uranium prospect.

On behalf of the Board,

N. B. KEEVIL

President

February 3, 1970

SILVERFIELDS MINING CORPORATION LIMITED

STATEMENT OF EARNINGS

For the Thirteen Months Ended September 30, 1969

	13 months ended September 30 1969	12 months ended August 31 1968
INCOME		
Bullion production	\$2,129,033	\$2,505,293
Less: Smelter, refinery, freight and marketing expenses	107,240	115,091
Royalties	204,022	240,669
	311,262	355,760
	1,817,771	2,149,533
OPERATING EXPENSES		
Mining	539,717	379,272
Milling	221,847	196,157
Exploration and development	195,714	225,226
General mine and administrative expenses	137,636	109,339
Head office and corporate expenses	83,900	71,450
Directors' fees	6,500	7,733
Ontario mining tax	88,674	74,000
	1,273,988	1,063,177
MINE OPERATING PROFIT	543,783	1,086,356
OTHER INCOME		
Interest income	135,837	72,407
OPERATING PROFIT FOR THE PERIOD—before depreciation, amortization and exploration	679,620	1,158,763
Outside exploration	89,607	3,218
Provision for depreciation	93,026	73,088
Amortization of exploration and development	4,549	4,199
	187,182	80,505
	492,438	1,078,258
PROVISION FOR INCOME TAXES (note 3)	8,856	360,400
EARNINGS BEFORE EXTRAORDINARY ITEM	483,582	717,858
EXTRAORDINARY ITEM		
Reorganization expenses	19,044	—
NET EARNINGS FOR THE PERIOD	\$ 464,538	\$ 717,858

SILVERFIELDS MINING CORPORATION LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

For the Thirteen Months Ended September 30, 1969

SOURCE OF FUNDS	13 months ended September 30 1969	12 months ended August 31 1968
Net earnings for the period	\$ 464,538	\$ 717,858
Add: Charges not requiring cash outlay —		
Depreciation	93,026	73,088
Amortization	4,549	4,199
	562,113	795,145
Increase in capital stock	71,108	—
Gain on disposal of investments	—	69,403
Joint mining venture	192	—
Federal special 5% refundable tax	22,885	7,685
	656,298	872,233
 USE OF FUNDS		
Investments and advances	231	70,586
Additions to buildings, machinery and equipment	85,532	14,157
Deferred expenditures	—	25,281
Mining claims and leases	10,051	—
Redemption of capital stock	40,000	—
	135,814	110,024
 INCREASE IN WORKING CAPITAL	520,484	762,209
 WORKING CAPITAL — BEGINNING OF PERIOD	2,263,396	1,501,187
Increase in working capital	520,484	762,209
 WORKING CAPITAL — END OF PERIOD	\$2,783,880	\$2,263,396

NOTES TO FINANCIAL STATEMENTS

For the Thirteen Months Ended September 30, 1969

1. **VALUES**
The amount shown for joint mining ventures represents costs less income to date and is not intended to reflect present or future value.
2. **CAPITAL STOCK**
 - (1) On September 2, 1968, under the provisions of Section 96 of The Corporations Act (Ontario), application for letters patent of amalgamation were granted for Silverfields Mining Corporation Limited confirming the statutory amalgamation of Pickle Crow Gold Mines (Consolidated) Limited and Silverfields Mining Corporation Limited. Upon amalgamation all the outstanding shares of Pickle Crow Gold Mines (Consolidated) Limited were converted into 17,777 fully-paid Class A shares with a par value of \$4 each and all the outstanding shares of Silverfields Mining Corporation Limited were converted into 1,500,005 fully-paid common shares without par value of the company.
 - (2) The Class A redeemable convertible shares may be redeemed at par at the company's option or may be converted into common shares at the shareholders' option on the basis of one Class A share for one common share. At September 30, 1969, 10,000 of the original Class A shares had been redeemed for cash and 2,108 converted into common shares.
3. **INCOME TAXES**
The company proposes to claim for income tax purposes capital cost allowances amounting to approximately \$502,000 in excess of the amounts recorded for depreciation and amortization. At September 30, 1969, unclaimed capital cost allowances exceeded the net book values of the related assets by approximately \$440,000. This amount may be utilized to reduce income taxes in future years.
4. **SENIOR OFFICERS' REMUNERATION**
Remuneration of two officers and the four highest paid employees amounted to \$64,749.
5. **LEASED MINING PROPERTY**
The company's producing mining property is held under a lease expiring on July 4, 1982, the terms of which provide for a minimum annual royalty payment of \$5,000.

SILVERFIELDS MINING CORPORATION LIMITED

	J. H. HIRSHHORN, New York, New York Chairman of the Board, Callahan Mining Corporation
	S. KAY, BME, P.ENG., Scarborough, Ontario President, International Mine Services Limited
<i>directors</i>	N. B. KEEVIL, M.Sc., Ph.D., Port Credit, Ontario President, Teck Corporation Limited, and other companies
	D. A. PERIGOE, Toronto, Ontario Vice-President, Gardiner, Watson Limited
	R. J. WRIGHT, B.A., LL.B., Toronto, Ontario Partner, Lang, Michener, Cranston, Farquharson & Wright
	N. B. KEEVIL, President
<i>officers</i>	S. KAY, Vice-President
	R. J. WRIGHT, Secretary
	J. H. WESTELL, Treasurer
<i>mine manager</i>	W. C. SUMMERS, B.Sc., P.ENG.
<i>head office</i>	Suite 4900, Toronto-Dominion Centre Toronto, Ontario
<i>mine office</i>	Cobalt, Ontario
<i>transfer agent and registrar</i>	CANADA PERMANENT TRUST COMPANY Toronto, Ontario

